GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:173
ANSWERED ON:08.03.2001
MULTINATIONAL FOREIGN COMPANIES IN POWER GENERATION
SUSHIL KUMAR INDORA;ZORA SINGH MANN

Will the Minister of POWER be pleased to state:

(a) whether the Government have permitted the foreign/multinational companies engaged in power generation to earn dividend at higher rate;

(b) if so, the reasons for this disparity;

(c) whether SEBs of the States in the country have decided to fix tariff for electricity on the basis of 3% dividend on project cost;

(d) if not, the facts in this regard;

(e) whether not even an effective mechanism has been evolved to certify the expenditure to be incurred on construction cost in the power sector; and

(f) if so, the facts in this regard and the details of mechanism evolved therein?

Answer

THE MINISTER OF POWER (SHRI SURESH P. PRABHU)

(a) to (f) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF STARRED QUESTION NO. 173 TO BE ANSWERED IN TH LOK SABHA ON 8.3.2001 REGARDING MULTINATIONAL FOREIGN COMPANIES IN POWER GENERATION.

(a) to (d) : The two part tariff notification issued by Government of India (GOI) on 30.3.1992 allows a return of upto 16% on equity (paid up and subscribed) at normative levels of operation i.e. 68.5% Plant Load Factor (PLF) for both foreign as well as Indian investors in the private sector for power projects. For generation beyond this level, incentive at negotiated rates subject to a ceiling of 0.7% of equity (paid up and subscribed), for each percentage increase in PLF is allowed.

Tariff for electricity for State Electricity Board (SEB) power projects, is being fixed by SEBs as per provision of section 59 of the Electricity (Supply) Act, 1948, which stipulates that the SEB shall adjust its tariff so as to ensure that the total revenue in any year of account after meeting all expenses properly chargeable to revenues, is not less than 3% or such higher percentage, as the State Government may, by notification in the Official Gazette, specify in this behalf, of the value of the fixed assets of the Board in service at the beginning of such year. While 16% return to private sector is on the equity (paid up and subscribed), 3% return in case of SEBs is allowed on the entire value of fixed assets of the Board in service at the beginning of such year.

(e) & (f) : The construction cost of power projects is cleared by the Central Electricity Authority (CEA) or the State Government/SEB, as the case may be. Certain categories of power projects awarded to private entrepreneurs through a process of international competitive bidding (ICB) have been exempted from the requirement of concurrence of CEA considering, inter-alia, that the scrutiny of cost in respect of ICB route projects where the lowest competitive cost/tariff has already been decided through the ICB process, is of little relevance. Guidelines on tariff based competitive bidding for thermal power projects have been issued to the State Governments, so that there is competitive pressure to bring down the cost of projects.